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TOM2.AS - Q4 2014 TomTom NV Earnings Call

EVENT DATE/TIME: FEBRUARY 12, 2015 / 1:00PM GMT



CORPORATE PARTICIPANTS

Bisera Grubestic *TomTom NV - IR Officer*

Harold Goddjin *TomTom NV - CEO*

Marina Wyatt *TomTom NV - CFO*

CONFERENCE CALL PARTICIPANTS

Alexandre Peterc *Exane BNP Paribas - Analyst*

Stuart Jeffrey *Nomura - Analyst*

Marc Zwartsenburg *ING Financial Markets - Analyst*

Andrew Gardiner *Barclays - Analyst*

Vikram Kumar *TT International - Analyst*

Andrew Humphrey *Morgan Stanley - Analyst*

Marc Hesselink *ABN AMRO - Analyst*

Hans Slob *Rabobank - Analyst*

Francois Bouvignies *UBS - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the TomTom fourth-quarter and full-year 2014 earnings conference call. (Operator Instructions). Please note that this conference is being recorded.

I will now turn the call over to your hostess for today's conference, Bisera Grubestic, Investor Relations Officer. You may begin.

Bisera Grubestic - *TomTom NV - IR Officer*

Thank you, operator. Good afternoon. And welcome to our conference call, during which we will discuss our operational highlights and financial results for the fourth quarter and full-year 2014. With me today are Harold Goddjin, our CEO; and Marina Wyatt, our CFO.

You can also listen to the call on our website, and a recording of the call will be available shortly afterwards.

And, as usually, I would like to point out that Safe Harbor applies.

We will start today's call with Harold, who will discuss the key operational developments, followed by a more detailed look at the 2014 financial results, and the financial outlook for 2015 from Marina. We will then take your questions.

With that, Harold, I would like to hand over to you.

Harold Goddjin - *TomTom NV - CEO*

Thank you very much, Bisera. Welcome, ladies and gentlemen. Thank you for joining us for today's earnings call.



2014 was a good year for TomTom, both operationally and financially. Our Group revenue was EUR950 million, and the gross margin was strong at 55%. We delivered EBIT of EUR21 million, and adjusted earnings per share of EUR0.27.

Marina will provide further information on the financial highlights, and the financial outlook for 2015, later during the presentation. I will discuss our key operational highlights, per business unit.

Let us start with consumer. We made good progress towards becoming a multi-category consumer business in 2014. The European PND business performed well. In 2014, we kept our market share and prices strong, but that was offset by lower unit sales in North America. We completed a transition of our PND range onto our new NavKit software platform this year.

All new TomTom GO devices now offer lifetime maps and lifetime traffic services, and will benefit further from our continuously improving navigation software.

This year, we launched a number of new PNDs, such as the extended range for our TomTom GO PNDs, and TomTom START, making navigation accessible at a low-entry price. With the launch of TomTom BRIDGE, we expanded our consumer port offering to the B2B markets this year.

Our recently launched TomTom RIDER, specifically developed for bikers, showcases our continuous commitment to designing products that meet the needs of our consumers in different categories.

Moving to our sports business, we successfully entered the GPS watch sports category. In 2014, we shipped 500,000 watches, and we doubled our sport revenue for the second year in a row to EUR50 million in 2014. And we aim to double this again in 2015. We will continue to invest in this business unit, as we are building a broader based consumer business.

Our automotive bookings exceeded EUR220 million in 2014, which, together with orders secured earlier, will deliver growth in automotive from 2016, onwards.

We've extended our relationship with Volkswagen, and announced two deals already this year. We will deliver our maps to Volkswagen in North America, and our traffic services in Europe.

We also announced to deliver LIVE services and connected navigation in Fiat's Uconnect infotainment system in the new Fiat 500X.

We invested to maintain our leadership position in traffic, increasing our global coverage and enhancing the quality of traffic further. Now, 46 countries around the world have access to TomTom's historic and real-time traffic information.

Our licensing business announced a multi-year deal with Acer in the fourth quarter to bring TomTom turn-by-turn navigation technology to the new Acer smartphones, with the launch of a new navigation application. The app enables users to navigate anywhere in the world without extra roaming charges, with the ability to download any TomTom map for free.

We also announced a partnership with Intel and Opening Ceremony to power the MICA bracelets, with location-based services and real-time location information.

Investments in our new map-making platform, which started in 2011, are fundamental to our future, and will transform our map making from a quarterly best process to one in which our map is continuously releasable.

Connected cars can then benefit from continuously updated maps, and they can form the basis of map-dependent safety systems. Those systems over time will evolve and formed the basis of highly automated driving, and eventually the driverless car.

This new platform allows us to manage and handle customer feedback in near real time. In other words, if we make a change to the database we can distribute this change to all our customers, instantly.



TomTom has already a highly cost-effective map-making platform, but further extension of the new platform will allow for further automation, including the ability to feed sensor data from cars into the platform.

We believe that, over time, the winning map-making platform will be the platform that delivers real-time maps in the most cost effective way, hence, our continued commitment to ongoing technology development.

Our fleet management business grew again strongly in 2014, and this was achieved by a combination of solid organic growth. But we also made two acquisitions, one in France, and one in the Netherlands, that both contributed 27,000 new subscribers to our installed base. That has now reached 464,000 connected vehicles by the end of the year.

The customers of Coordina, the Spanish acquisition that we made in August of 2013, are now all fully migrated onto our WEBFLEET platform.

The underlying industry dynamics for fleet management business remains favorable. A combination of [short-term] return on investment for our customers, and an underpenetrated and highly fragmented market, allow us to plan for long term, double-digit growth of our revenue.

We continue to look for acquisitions to strengthen our fleet management business.

This concludes my part of the presentation. I'm handing over to Marina.

Marina Wyatt - TomTom NV - CFO

Thank you very much, Harold. Let me now look at financial results in a bit more detail. So if I'm -- then, first, summarize the fourth quarter and the full-year results, and then talk a little bit about the outlook.

We generated revenue of EUR258 million in the fourth quarter, which was a 3% decline compared to the fourth quarter of last year. The PND market in Europe declined by 6% in the quarter, and we saw a fairly stable market share and higher ASPs.

For the year as a whole, our European market share gained 1 percentage point to 52%, and ASP slightly increased; and this enabled us to outperform the market as a whole.

In the US, the market declined faster and we focused on managing our business tightly.

The two growth areas in our business in 2014 were telematics and sport watches. Sport watch revenue almost doubled in 2014 to EUR50 million, and we plan to double it again in 2015.

In telematics, the most important indicator of progress is the growth in our subscription business. And this revenue grew by 34% in the year as a whole, and by 36% in the fourth quarter. And in 2015, telematics will also benefit from the full-year impact of the two acquisitions made during 2014.

On a full-year basis the gross margin in the Company increased by 1 percentage point, compared to 2013, to 55%, due to the combination of different geographical and product mix.

Total operating expenses for the year were EUR502 million; an increase of 1% year on year. And this increase mainly came from higher R&D, and R&D-related amortization, and also from marketing.

The decrease in SG&A expenses was largely explained by lower variable personnel costs, offset, to some extent, by higher sales costs from increases in the size of the salesforce in telematics.



Our net result for the year was EUR23 million, compared to EUR20 million in 2013. And this translated into adjusted earnings per share of EUR0.27 for 2014, compared to EUR0.26 in 2013. The EUR0.27 in 2014 included EUR0.04 from a one-off tax gain, which was recorded in the first quarter of 2014.

Our cash flow from operating activities for the quarter was EUR32 million, compared to EUR51 million in 2013 in the fourth quarter. The year-on-year decrease was mainly the result of higher working capital utilization in the fourth quarter of 2014, because of phasing.

On a full-year basis, cash flow from operating activities was EUR119 million, compared to EUR180 million in 2013.

The cash flow used in investing activities for the full year was EUR107 million, which was an increase of EUR16 million year on year. The majority of the investments we made related to our new transaction-based map making platform; the navigation engine NavKit; customer-specific investments in automotive; and also, the acquisitions we made in telematics.

On the balance sheet, I want to point out that since the end of last year we have a new revolving credit facility in place that runs through until 2018, and which can be extended to 2020. And at the end of the year, we had drawn EUR50 million under that facility.

In our press release, we've also provided a table, which shows a breakdown of our deferred revenue by business unit. The total deferred revenue grew in 2014 by just over EUR30 million to EUR146 million. And we expect that deferred revenue balance in the balance sheet to increase again in 2015.

The deferred revenue is high-margin revenue, and, once tax affected, what we are currently holding in our balance sheet represents around EUR0.50 of earnings per share.

Now let's turn to our outlook. In 2015, we plan for revenue growth, and we expect revenue of around EUR1 billion. This revenue growth will be weighted toward the second half of the year.

We expect to see growth in three of our four business units, so not in automotive, where we expect a modest decline. But in automotive, the 2014 bookings of more than EUR220 million provides support that we're on the right track to start to show growth in this segment from 2016, onwards.

We are impacted by currency movements. Our top line benefits from a strengthening dollar, and also British pound, and this is included in our revenue guidance.

Our gross margin is impacted negatively, and it will be lower in 2015 as a result of the currency movements we have seen. As a rule of thumb, a 10% strengthening of the US dollar causes around a 2% decrease in our gross margin.

OpEx will go up slightly, mainly driven by telematics' sales costs, and also by slightly increased R&D.

CapEx in 2015 is expected to run at similar levels to 2014, if you exclude the acquisitions we made during the year.

And the majority of our investments, again, will be allocated to the connected navigation system we're creating for the automotive industry, together with our investments in new map technology, and for the requirements of highly automated driving.

Our adjusted earnings per share is expected to be at around EUR0.20 for the full-year 2015.

So that concludes the formal part of the earnings call, and we'd now like to hand over for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Alexandre Peterc, Exane BNP Paribas.

Alexandre Peterc - Exane BNP Paribas - Analyst

I'd just like to dig a little bit into telematics. I'd like to understand the underlying market growth there. Do you see an acceleration, or is [13%] to 15%, roughly, in underlying growth? If you could comment also on share gains outside of the effective acquisitions in this market, in Europe.

Also, I'd also like to know how long it takes for you to on-board acquired customer bases fully, and how you see the attrition rate, so how many people drop out in this process? I believe that was about 10%. Are you seeing an improvement in this ratio?

Harold Goddjin - TomTom NV - CEO

The dynamics in telematics are favorable. Our market share, although we are the leading company in Europe by number of subscribers, is still low. We are becoming, in more and more countries in Europe, the largest supplier; not every country, but more and more countries we are becoming the largest. And it is definitely our impression that we're growing much faster than competition.

So we're confident that we can continue to plan, for the foreseeable future, for high growth. 30% is what we delivered last year, approximately 30%. We've no reason to believe that, that will slow down materially in 2015.

The integration -- the next question of an existing customer base, when we do an acquisition, that's working. We've done that now for Coordina fully. I think that took us, all in all, 12 months to transfer that customer base. And we did not lose many customers in the process. I don't know the exact number, but I believe it's lower than 5%.

And what we have seen, especially in Spain, is by merging those two businesses, the combined growth became higher than the growth of the two individual companies, which was a nice side effect of that acquisition that was not expected.

Then, I think there was a third question, Alexandre, but you need to help me.

Alexandre Peterc - Exane BNP Paribas - Analyst

Yes, I'd just like to a quick follow up. I think that was all on telematics. Just very briefly on currency, you have a negative effect there, but your main competition is US dollar-based, so should we expect in about 12 months all of the currency effects wash out of the gross margins? And also, how are you hedged?

And then, a small housekeeping question, what drives your revenue seasonality with a stronger H2 versus H1? Thanks a lot.

Marina Wyatt - TomTom NV - CFO

Yes, let me talk about that. Over time, this impact of what's happening on currency will start to get mitigated because, in the end, things will get adjusted.

So, for us as a company, clearly, there are options open to us as to what further costs we can take out of the supply chain, because someone's benefiting somewhere down the supply chain or up the supply chain on this. We need to look at pricing actions, and we are looking at those; and



creating more of a natural hedge in our business, as well, by looking at increasing the proportion of our revenue in the Group as whole that is invoiced in other currencies.

But we do expect, over time of course, that these impacts will mitigate.

In terms of our hedging, TomTom's P&L, down to the EBIT level, is a fair reflection of actual foreign currency rates, and all the impact of our hedging activities is shown in the financial income and expenses line.

And what our policy is, is we take our major exposures and we seek to hedge the impact of cash flows, so foreign currency-denominated cash flows, over the next few months. But it's not a long-term hedge. It's a short-term hedge, designed to protect our cash flows in the short term. And that's the policy we've followed for quite a number of years.

Alexandre Peterc - *Exane BNP Paribas - Analyst*

Okay. And on the seasonality?

Marina Wyatt - *TomTom NV - CFO*

Seasonality, yes, so there is some seasonality in our business where our revenue is loaded more to the back end of the year.

On top of that, we've had a number of new products, over the last few months, which need to continue to build momentum as we go through the year and they will contribute. And then, we've got some natural growth coming through in our Telematics business. And those are the things, really, that will drive the fact that the growth will be weighted towards the second half of the year.

Alexandre Peterc - *Exane BNP Paribas - Analyst*

Great stuff, thanks a lot.

Operator

Stuart Jeffrey, Nomura.

Stuart Jeffrey - *Nomura - Analyst*

I was wanting to ask about the map. Could you just talk about how you see the benefits of the new map playing out in terms of any revenue opportunities?

And also, whether or not, now that it's done, does that mean that your costs, both expensed and capitalized, can start to ease off? Or is there a new project in the works, perhaps, to get the map ready for more ADAS-type functionality? If you could just talk through that, that would be helpful. Thanks.

Harold Goddjin - *TomTom NV - CEO*

Stuart, thank you. Yes, the [position of] map -- new platform is not complete. That will take us until the end of the year. But some countries now are completely on the new system; remaining countries will follow before the end of the year. And will that open new revenue opportunities? The answer's yes.



I think the increased order intake that we took in 2014 is a clear reflection of the car and see -- looking with interest to those technologies and seeing what they can bring in terms of real-time mapping.

So there's an immediate use case, and that is, of course, that often in car maps are out of date, and it's very hard to update them. It's costly and people don't do it, and it's a major source of dissatisfaction that we want to solve quickly with this new technology and new [one-time] map formats that run in the vehicle. But it goes beyond that.

If we look at the future use of map data in the car then the dependency on those maps will increase, and they will often be part of a security system, whether that is braking ahead of corners, or whether that is actively managing fuel consumption. You can do a lot with an accurate map, but you need to be secure -- you need to be able to say that, that map is actually accurate. The new technology will allow us to do that.

And if we take that further into highly automated driving, where it becomes a really safety-critical element, then you need to revert to this type of technology, otherwise it's not going to work. So it is a foundational element in our future strategy.

Is the investment coming down over time in engineering? I think, once we have done the full transition, we will continue to invest in platform. But we will invest in more automation, so not on the fundamental map platform, but automating a lot of what we're currently manually doing.

We want to bring that into the car automatically and detect changes automatically, make changes to the map database automatically. And we believe that's possible. There's exciting possibilities. There's cameras that are now installed in cars, other sensors.

We're working with Robert Bosch in research programs to make that a reality. For instance, speed-sign recognition, we want to do that fully automatic in a closed-loop system. The cameras in the car look at those signs. If there is a difference to what's in the database, an incident is raised that will go automatically in our map-making platform and will be validated and distributed.

So these type of technologies will make maps better, higher quality, but also have the potential to reduce the cost.

Now, on the other hand, the requirements on maps will go up. So the other effect of what you see is that the requested precision for digital maps will go up. It needs more detail. 3D lane models are part of that new map. So you have different movements, I think, in the cost of making them.

Cost overall is coming down, requirements are going up. How exactly that will pan out is not yet clear. But what we strongly believe, that is the party with the most cost-effective platform, the best technology, has a good chance to be the winning platform in this industry.

Stuart Jeffrey - *Nomura - Analyst*

Just to clarify, a lot of your competitors seem to be driving around using (inaudible), things like that, to get a lot of that automated data already. Is that also what you're doing? Are you at that same stage, or is that something that you still need to get to?

Harold Goddjin - *TomTom NV - CEO*

No, that's what we're doing. We have, in 2014, doubled our vans, the number of vans that we're using. We've equipped them with the latest generation of sensors.

We have, with those vans, created the maps that are needed for highly automated driving. And, as a proof of concept, those maps have been tested and worked. As a result, we have filed proposals to standardize that map format in the NDS consortium. That has been adopted as well.

We have clearer specification, and mass production of that -- of those new 3D maps has started.



Stuart Jeffrey - Nomura - Analyst

Thanks. Thanks very much.

Harold Goddjin - TomTom NV - CEO

So -- but the challenge, Stuart, is not so much doing it once, that is a relatively easy task, is well understood. There's a cost associated to that, but it's all not dramatic. I think the real challenge is how we're going to keep those maps up to date in the future, and that is also part of further research and investment.

Stuart Jeffrey - Nomura - Analyst

Thank you.

Operator

Marc Zwartsenburg, ING.

Marc Zwartsenburg - ING Financial Markets - Analyst

First, on the order book, automotive in Q4, and the jump from EUR170 million to EUR220 million, that's quite a jump. Can you give us a little bit of color on what drives that jump in the order book?

Harold Goddjin - TomTom NV - CEO

I can't be customer specific. But the difference is new contracts that we booked; it's as simple as that. There's not much more to comment on that, other than it's a combination of traffic deals, map deals, and software deals.

Marc Zwartsenburg - ING Financial Markets - Analyst

So it's -- can you give us the number of deals that is in there to give -- get a feel for the size?

Harold Goddjin - TomTom NV - CEO

No, I can't.

Marc Zwartsenburg - ING Financial Markets - Analyst

Okay, so -- but it's at least not one or two deals, it's a multiple, as you refer to?

Marina Wyatt - TomTom NV - CFO

Multiple deals, yes.

Harold Goddjin - *TomTom NV - CEO*

It's multiple deals. It's multiple deals, correct.

Marc Zwartsenburg - *ING Financial Markets - Analyst*

Okay. Then, a question on the PND declines. In North America, the market in Q4, [so in other words your] market share, but also the market itself, dropped significantly and accelerate the decline. How do you explain that? Is there more cannibalization for smartphones going on there? Or is there another explanation for that sudden drop? And are you worried that we might also see that in Europe?

Harold Goddjin - *TomTom NV - CEO*

So, the market in America is different. It started later, PND started later. It never reached the level of penetration that we've seen in Europe, and it started declining earlier as well. So it's not as much a trusted [phone] factor and trusted device as it has become in Europe, where tens of millions of people have been using them traditionally to great effect.

So it's really a -- I think it's a matter of small installed base, less familiarity, and that's why we see these different market developments.

Marina Wyatt - *TomTom NV - CFO*

Yes, and I just add one thing specifically about Q4, as well. I think, in Q4 the US market is very characterized by promotions, and holiday deals, and black Friday, and all of this going on in Q4. And when it's a category that is not -- is declining quite fast and is not top of mind, I think that gets even exacerbated in the Q4 period. So I think that acceleration is partly due to the fact that it was that season as well.

Marc Zwartsenburg - *ING Financial Markets - Analyst*

Okay. And then a question on licensing. In 2014, the division went down a little bit. Now you've scored a new deal with Acer. Can you give us a sense for the size of the annual revenues you expect from such a deal, and how you see licensing developing, going forward? Should we expect a growing trend, or stable?

Marina Wyatt - *TomTom NV - CFO*

Our licensing business is characterized by quite -- we've got quite a large number of customers, and there are two parts to the business; there's a consumer licensing business, and there is a government and information special systems business as well.

We've got quite a large number of customers. I think the Acer deal individually is not one that in itself, by itself, moves the dial, particularly. It's just an illustration, an example of the types of new businesses that are emerging in licensing.

In -- we've been -- with this business now, what we see going forwards is that we have strengthened our sales force there, clarified our propositions, split the business more definitively from between consumer and government. And we are beginning to see a higher level of contract wins than we had in the past, but many of them are relatively small, many of them we have to see how they develop.

So our feeling about the licensing business is we should start to see some growth from that business, a little bit of growth in 2015 now, which would -- which is encouraging.



Marc Swartzsburg - *ING Financial Markets - Analyst*

Okay. And then on telematics, the acquisitions there, what kind of sales multiples are you paying there for the acquired businesses?

Marina Wyatt - *TomTom NV - CFO*

The way we value those businesses is we look at the -- when we buy one of these businesses we're looking to buy an installed base of subscribers, if you like, who we can take over, convert onto the WEBFLEET platform, and then strengthen our position in a particular country, and hopefully accelerate growth off from that. So that's the model.

So we look at the installed base of subscribers, and then we ascribe a value to each subscriber, multiply that by the subscriber base, and that's how we value it.

Marc Swartzsburg - *ING Financial Markets - Analyst*

And can you give us any sense?

Marina Wyatt - *TomTom NV - CFO*

Well, you can see that both the deals that we took on in 2014 were in the region of 25,000, 26,000 subscribers each time.

And then, if you look in our cash flow statement, you can also see -- get some rough idea of what we're spending on acquisitions. We haven't, I'm afraid, disclosed the exact sums, and there are earn outs, so that's not the full picture, there is a bit more to come through, but it'll give you some measure of it.

Marc Swartzsburg - *ING Financial Markets - Analyst*

Okay, clear. Then, a final in terms of tax rate, what should we use for the models, going forward, (multiple speakers)?

Marina Wyatt - *TomTom NV - CFO*

If you use 10% as an underlying tax rate, that's about right.

Marc Swartzsburg - *ING Financial Markets - Analyst*

That's still the number? Okay. Well, that's it. Thank you very much for taking my questions.

Marina Wyatt - *TomTom NV - CFO*

Thank you.

Operator

Andrew Gardiner, Barclays.

Andrew Gardiner - Barclays - Analyst

I was interested in seeing if you can help a little more on the automotive side. I appreciate you guys giving us a few more data points there, but I suppose, as ever, when given a little we try to ask for more.

You're in the practice of announcing certain contracts, when allowed by your customers, but clearly not all. And so perhaps to rephrase the earlier question, can you give us an idea of what proportion of the EUR220 million in bookings you've signed and been announced by press release? And perhaps, what hasn't?

Harold Goddjin - TomTom NV - CEO

I find it hard to answer, Andrew, it would be a wild guess. I don't think I should go there.

Marina Wyatt - TomTom NV - CFO

But in general, in general there is a lag between us taking a booking and making an announcement, in general. That's the general view.

Andrew Gardiner - Barclays - Analyst

Okay.

Marina Wyatt - TomTom NV - CFO

And if you look at the deals that we have announced in 2015, those were deals that were booked before 2014. So that should give you an indication that there is a fair bit that has not been announced.

Andrew Gardiner - Barclays - Analyst

Right.

Marina Wyatt - TomTom NV - CFO

Okay? But it does vary, as Harold said. So it's difficult to be absolutely specific and only give you that general idea.

Andrew Gardiner - Barclays - Analyst

Okay. And perhaps put another way, do you have a rough idea of how much is related to traffic, versus how much is related to maps, and how much is related to software, in terms of your, I suppose, the relative success between the three modules?

Harold Goddjin - TomTom NV - CEO

No, again, but where we do a triple play, so that is content in combination with services, [most importantly] traffic, but also other synchronization services, mobile phone integration services that we do over the cloud, and software. So the three pillars of our complete navigation suite, that's where we have the strongest proposition at the moment.

So we see a lot of demand for that integrated suite of navigation components that can be easily integrated either by tier 1, or an independent software developer, or (inaudible). But the hard things about navigation we've all solved, and now made available to an increasingly growing software-developer community.

Andrew Gardiner - Barclays - Analyst

Thank you.

Operator

Vikram Kumar, TT International.

Vikram Kumar - TT International - Analyst

I've got a couple of questions. Firstly, on automotive, can you help me understand how variable could that revenue base be next year? For example, you obviously know the models you're going into, but if those models sell more cars, or if there's a higher take up by the end consumer of infotainment systems, or mapping in the car, is that a potential incremental delta on your revenues next year, please?

Harold Goddjin - TomTom NV - CEO

There is -- so, when we do a contract, it's based on a defined introduction date; typically, a defined number of cars; and a defined period of time. And that is quite specific per annum, and what have you.

Those numbers can vary. In reality, sometimes it happens that a product is delayed; sometimes it happened that we sell less than we anticipated. But more often, the take rate seems to be a little higher than originally anticipated when signing the deal.

I would say, on balance, the numbers are fairly accurate and reliable, and the deviation from the expected outcome is not that important.

Vikram Kumar - TT International - Analyst

But are you seeing like quite -- because I think Nokia here was talking up kind of take rates, Harman as well in the US. Are you seeing any sort of acceleration in take-up rate?

Harold Goddjin - TomTom NV - CEO

Yes, we do see that navigation is moving more into the mid range, higher take rates than traditionally the case. But I think when we take the order and we publish that number, those higher take rates are normally included in the total [view value]. But it is right that the market is growing, more cars, higher attachment rates, moving also to the mid range.

Vikram Kumar - TT International - Analyst

Okay, perfect. And on the consumer side, you seem quite confident in doubling your revenues in the sports watch. Can I ask, are you just thinking about it in terms of the sports watch? Or is it other products coming into your 100 million assessment, please?

Harold Goddjin - *TomTom NV - CEO*

Well, we think about it as a sports category.

Vikram Kumar - *TT International - Analyst*

Okay. So it's not just the watch, it's also the golf watch and any new products you might launch this year?

Harold Goddjin - *TomTom NV - CEO*

We see that the segment is a sports segment. And I think we, of course, are looking for what we can do in that space. And we're now focusing on running. But there are opportunities there as well we think.

Vikram Kumar - *TT International - Analyst*

Okay. And is it from just widening out your distribution, as well as pushing new products through it, or just more consumer recognition of what you're doing in that space?

Harold Goddjin - *TomTom NV - CEO*

I think the biggest driver is actually coming from consumer recognition. So the products are well received. They are fit for purpose, people like them. Word of mouth is good, because customer satisfaction is good. So the most important driver is TomTom being associated to a sports category more directly as a reliable supplier of reliable and accurate products.

Vikram Kumar - *TT International - Analyst*

Okay, perfect. And just quickly on licensing, I know Marina mentioned that new business is emerging with a need for licensing. How many new -- what's the growth of new verticals and new businesses that need maps, or mapping stuff out in your licensing business, please, volume-wise?

Marina Wyatt - *TomTom NV - CFO*

Yes, it's hard to quantify that. What we see is that there are new use cases coming forwards where we can play. And what we're trying to do is spot those new trends as they come through.

With new categories that companies come forward with, we try and pick the winners and partner up with them. Because there are kind of many, many, many types of applications that come forward that we see, but the question is which ones are going to be winners.

So it's -- I can't give a volume. What I really was trying to put it in the context of is that we do see that we have a basis to start to slowly grow what we're doing in licensing again, because there is a wider proliferation of opportunity out there.

Vikram Kumar - *TT International - Analyst*

Perfect. And one last for Harold. I've spoken to about five to seven, or eight, CEOs and CFOs of auto companies, auto-parts companies, tech companies, they all seem to say that mapping is critical for any autonomous driving, automated driving future. Can you confirm that from your point of view, please?



Harold Goddjin - *TomTom NV - CEO*

Yes, I can confirm that. It's not the only thing they need, but it's an essential part of the whole overall sensor system, if you like.

Vikram Kumar - *TT International - Analyst*

Thank you.

Operator

Andrew Humphrey, Morgan Stanley.

Andrew Humphrey - *Morgan Stanley - Analyst*

Just one from me, actually. On the PND market, it seems as though the guidance you've given for 2015 implies an improvement in that market compared to what we've seen in the past. And I think this is certainly not the first quarter where you've said that business is performing perhaps better than you would have expected, or than has been the case in the past.

Can you talk a little bit about the trends you're seeing there, whether you feel there's an improvement in visibility; how the competitive environment has changed; and maybe give a view on how good, or how bad, could the outcomes be there; and how much variability you see in PNDs now in 2015?

Harold Goddjin - *TomTom NV - CEO*

Make no mistake, the market is still declining, so both in Europe and North America. But especially in Europe it's going slower. And even in some countries you see most growth, nothing spectacular, but the UK, for instance, was up 3%, I think, in volume last year. So that's not too bad.

ASPs were stronger, a little bit up last year. And products, generally speaking, are getting better. And the dynamic element of our products with traffic and dynamic routing and smart routing really fulfill a need. And it's a good showcase for us, as well. But I don't think that market will go back to growth.

Now, there are other niches that are interested and interesting. So we delivered last year a driver terminal for business-to-business environment. That's not just navigation, but also provides a developer platform for specific on-dash applications. Now, we're not interested in developing the specific applications. We're providing an open platform on which software developers can do their thing, and that has good traction in the marketplace. So that's a niche.

Another niche is RIDER, a motorcycle product that we re-launched. That is not something that will be cannibalized by mobile phone applications because of waterproof, and need to be robust, and safe, and all that good reasons.

So there are a number of markets and niches that in itself can grow and are, in combination, important. So the longer-term future for PNDs, and similar products, is, I think, still not looking good in the sense it's going down, but it will be more stable. And in that category, niches that can grow and can develop; and those niches are typically more profitable than a mainstream PND ranges that you buy in retail.



Andrew Humphrey - Morgan Stanley - Analyst

And if I can follow up on the core PND business there. You've mentioned stronger prices, and you talked about that in the press release as well. If I could ask, what is driving that? Is that, in part, a function of recognizing the revenue that you started to defer a couple of years back? Is it -- are you just presenting more compelling products at the top end? Are you seeing less competition in Europe as you've consolidated the market share there? What's behind that, do you think?

Harold Goddjin - TomTom NV - CEO

Well, it's a combination of all that, except for the first component you mentioned. It's not a matter of bringing deferred revenue back into the P&L, because, on balance, the deferred revenue will continue to grow. So that's -- and you see it's more the -- so you see a negative effect from deferring that revenue.

But the products are better. The connected versions of our products are selling well. It's a small segment, but high value. We're disciplined. Our pricing. [I think] competition is relatively disciplined. The landscape is easier. There is not a lot of competition around, except for the usual suspects. So it's a relatively stable business, where you see less pricing activity and more longer-term underlying demand that we will continue to supply.

Andrew Humphrey - Morgan Stanley - Analyst

Okay, thank you.

Operator

Marc Hesselink, ABN AMRO.

Marc Hesselink - ABN AMRO - Analyst

On automotive as well, obviously some good contract awards. Also the competition, Nokia, had some good results in their automotive business. How do you see that? Are you winning market share from them? Or is it just the market is growing, as a whole, very rapidly?

And maybe related to that, how do you see the pricing environment in competition with them?

Harold Goddjin - TomTom NV - CEO

Yes, so market share numbers are difficult to obtain; there's no independent source. Our impression is that we're winning more than we used to win, and that is reflected in the total order intake for 2014. We expect that to an extent that will go at the expense of Nokia, but also recognize that the market itself is growing. So I think it's a mixed effect.

Marc Hesselink - ABN AMRO - Analyst

Okay, thanks. And the pricing environment to win the contracts, is that very competitive? Or is it other items where people choose the -- which (multiple speakers)?

Harold Goddjin - TomTom NV - CEO

Well, it is -- (inaudible) is competitive, let's make no mistake. But at the same time, the product portfolio is broadening. So the combination of -- especially, combination of maps, software, and services contain still healthy ASPs.

You see a price pressure on maps. That's also not new, it's been going on for years. But we can compensate, to a large extent, with new value-add products that we also bring to the market.

Marc Hesselink - ABN AMRO - Analyst

Okay, clear. And finally, also on highly automotive driving, it seems to be a lot of tests going on by the car makers. It seems that it's -- it was already a focus, but it seems that it's getting more and more a focus. Is that also your impression, that it's more top of mind and there -- additional investments in there, or --?

Harold Goddjin - TomTom NV - CEO

It is top of mind. Most car drivers, there is various levels of belief in whether those cars will ever drive completely automated, or driverless. But there is increased confidence that at least partial automation is really possible, and that will pave the way for further automation.

I think within the next four or five years you will see cars that, under certain conditions, can drive without human intervention. Not everywhere. It starts with the motorways, then it goes to the country roads, and then perhaps into the city. But it seems that the technical challenges for getting it to work safely on motorways, car makers are well on their way to design it and get that working.

It will need extensive testing. Prices for sensors need to come down, and there's all sorts of things that need to happen to make it mainstream. But I think there is increased confidence that, at least from a technical perspective, things are solvable.

Marc Hesselink - ABN AMRO - Analyst

Okay, that's clear. Thanks.

Operator

Hans Slob, Rabobank.

Hans Slob - Rabobank - Analyst

A question on the negative US dollar impacts on your cost of goods sold. Yes, would you plan, maybe, some additional price increases, for instance, in Europe, for your PND business to offset the negative dollar impact? Or maybe, are you possibly switching maybe to more US dollar-based pricing strategies, because it has a significant impact on your growth margin, and whether you would like to mitigate that?

Harold Goddjin - TomTom NV - CEO

Yes, I think the possibility to do that short term are limited. But every time -- but over time, all competitors are facing exactly the same issues, and the same problems, and challenges.

So what you tend to see is that with new product introductions, new product launches, they are priced on the new realities of higher cost of goods sold. We are not at a disadvantage compared to anyone else in our industry. And what we've seen in the past, and what we expect, is that those price increases will be translated into higher prices. But at the same time, you get cost reductions, [though they're not] material.

There is no reason why the fundamental margin that we are making is going to change dramatically over the middle -- over the midterm, I would say.



Hans Slob - Rabobank - Analyst

So, with a time lag, you're probably going to mitigate the negative impacts?

Harold Goddjin - TomTom NV - CEO

That's what we expect.

Hans Slob - Rabobank - Analyst

Yes, sure. And second one, you're signing more and more multi-year, longer-term deals in automotive, and in consumer you are deferring more revenues. What is currently the percentage of, let's say, your recurring revenues?

Harold Goddjin - TomTom NV - CEO

Recurring revenues, you mean what goes through the P&L?

Hans Slob - Rabobank - Analyst

Yes, what goes through the P&L.

Marina Wyatt - TomTom NV - CFO

If we -- if you look at the consumer business, we are typically, every time we make a sale of a PND, deferring something like -- somewhere between 10% and 15% of the selling price is being deferred. Right?

Hans Slob - Rabobank - Analyst

Yes.

Marina Wyatt - TomTom NV - CFO

And in the automotive business, you need to look at that on a contract-by-contract basis. But the broad way to look at it is that, if it is a map sale and it's a single-instance map sale, we take all the revenue.

If it's a map sale with a map update service built -- that comes along with that then a relatively small proportion of the overall revenue will get deferred and spread over the length of the contract.

With a traffic deal, it's a service, so that's slightly different, and you have to spread that over the period of the contract. So, that's roughly how it works.

What we try to do now is give you more visibility about how much is being deferred. I think in the consumer business it's relatively straightforward to see what's going on, but automotive we need to give a little bit more guidance, because it depends on the mix of the business.



Hans Slob - Rabobank - Analyst

Yes, it would be very helpful. And you said, in the introduction, that the deferred sales level has a [EUR0.15] EPS impact. How do you exactly calculate that?

Marina Wyatt - TomTom NV - CFO

Okay, let me explain what I meant. We've now got, at the end of 2014, EUR146 million of deferred revenue sitting in our balance sheet. And that deferred revenue will flow back through our P&L over a period of time.

But if we were going to say, right now, we stop deferring any more revenue, and we flowed that all straight back through the P&L, it's high margin, and you just need to tax effect it. And the impact of that EUR146 million flowing straight through to the bottom line would be EUR0.50.

Hans Slob - Rabobank - Analyst

EUR0.50, yes.

Marina Wyatt - TomTom NV - CFO

Yes, it's a lot, yes. Okay? So that's what I meant by that.

Hans Slob - Rabobank - Analyst

So it's 80% gross margin, and a 10% tax rate, and you come to that, roughly? That's the calculation?

Marina Wyatt - TomTom NV - CFO

Yes, it's a rough rule-of-thumb calculation that.

Hans Slob - Rabobank - Analyst

Okay. Thanks, Marina.

Operator

Francois Bouvignies, UBS.

Francois Bouvignies - UBS - Analyst

Thanks for taking my question. I have only one, actually; it's on your guidance. You guided EUR1 billion for the year, and what I was trying to figure out is how much is your new contracts, and what is the impact of your currency in this?

Because, when I look at it, you will have a tailwind in 2015, so, let's say, 2%, and then you have new contracts. So I want to figure out what is, let's say, organic, really; what is your new contract (inaudible) [today], for example? Because if it's a traffic contract, if I understand correctly, it will be -- we'll see it through the year. So if you can help me understand it, that will be great. Thank you.

Marina Wyatt - TomTom NV - CFO

Yes, so what we have said in our guidance of roughly EUR50 million of growth in 2015 is that three of our businesses will grow. So that is our three businesses, but not automotive. So we're not going to see growth; in fact, automotive will be down a bit compared with 2014. So the impact of the new contracts in automotive is very, very limited on 2015.

We've got, if you like, four components of our growth, which are the three businesses that are growing, and the fastest growth in that will come from telematics; but we also see -- expect a small amount of growth from consumer, and also from licensing. And then, there is also a currency component, because of revenues that we have that are in dollars and pound sterling, primarily. So those are the components.

Francois Bouvignies - UBS - Analyst

And can you quantify the currency impact, and guidance?

Marina Wyatt - TomTom NV - CFO

Not -- I can't exactly quantify it. But I think, roughly, we'll have something like a 2% impact of -- on that amount that we're growing by, about -- maybe around 2% of it will come from currency.

Francois Bouvignies - UBS - Analyst

Thank you very much.

Bisera Grubestic - TomTom NV - IR Officer

And with this, we would like to close today's call. Thank you all very much for joining us. And if you have any follow-up questions at a later time, please don't hesitate to give us a call. Thank you all very much. Operator, you can close the call now.

Operator

Thank you. Ladies and gentlemen, this will conclude today's conference call. Thank you for your participation. You may now disconnect.

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